

# Findings from Focus Groups and Interviews with Small Employers and Low-Wage Employees

Thoughts about How To Cover the Working Low-Income Uninsured

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## Methodology - Employers

- Conducted June through August, 2001
- 9 focus groups with 63 small employers
- 17 phone interviews with employers
- Held in locations across the state
- Involved employers
  - did and did not offer coverage
  - had  $\Rightarrow$  2 and  $\leq$  50 employees
  - had at least 2 full-time (FT) employees
  - had  $\Rightarrow$  1 FT employee earning  $<$  \$10/hr

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## Methodology - Employees

- Held in July in Appleton and Milwaukee
- 3 focus groups with 24 employees - 9 part-time and 14 full-time
- Involved employees
  - had family income > 100% and < 200% of FPL
  - were uninsured
  - worked for non-offering small employers
  - were not seasonal or temporary workers
  - were a mix of gender, race, age, and family status

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## Limitations

- Cannot be generalized to all small employers or low-income employees
- Selection bias among employers who participated, particularly among those who offered

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## Why Employers Do Not Offer

- Cost/Affordability
  - cost and affordability are relative terms that vary by employer
- Employees have coverage elsewhere
- Have tried to offer coverage in past but had few or no takers
  - employees prefer wages over health insurance
  - employees cannot afford EE contribution
  - employees are “uninsurable”

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## Why Employers Do Not Offer (Cont.)

- Do not want to take on the administration or responsibility for the uninsured employees they have
- Can easily hire employees who already have coverage
- Cannot qualify for/keep group coverage
- Not interested in offering low-cost HMO coverage

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## Reasons Why Some Employers Would Like to Offer Coverage

- To compete with other (typically larger) employers and/or government for workers
- To retain workers, particularly key ones
- To attract higher quality/more reliable Ees
  - grow their business
  - reduce turnover in some positions
- To keep employees healthier/more productive
- Their responsibility or “right thing to do”

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## Employees Interested in Employer-Based Coverage

- Perceive employer coverage to be lower cost than individual or possibly public coverage
- Value intermediary role employer plays
- Perceive employer coverage as granting better access to and continuity with providers
- Strengthens their commitment to an employer
  - perceive that employer values his/her employees
  - more likely to stay with offering employer

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## Proposals to Subsidize Coverage for Low-Income Uninsured

- Individual tax credit
  - \$1,000 single, \$2,000 family
  - refundable credit, thus actually a subsidy
- Employer tax credit/subsidy
  - no specified amount discussed
- Purchasing pool with multiple insurers
  - with tax credit for participating employers

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## Proposals to Subsidize Coverage for Low-Income Uninsured (Cont.)

- These proposals discussed because they
  - are market-based proposals under national consideration
  - are employer and non-employer based
  - involve purchasing pool concept authorized by WI legislation
- In general, the details of each proposal were described and then participants or interviewees were asked what they thought

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## Employers Generally Skeptical of Individual Tax Credit

- Some interviewed employers were interested in the tax credit for themselves
- When asked about the tax credit for their employees, they expressed
  - Concern that subsidies would be misused
  - Concern that tax credit amounts too low
    - Definitely not enough for older low-income workers to afford coverage
    - Might be enough for younger low-income workers to afford coverage, but they would not use it

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## Employers Generally Skeptical of Individual Tax Credit (Cont.)

- Some concern that workers would not know how to get and retain good coverage
- Those interested in offering wanted to receive the tax credit on their employees' behalf

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## Employees Not Likely to Use an Individual Tax Credit

- Concern that tax credit amounts not enough for them to afford coverage
- Concern about having to select and administer their coverage
- Concern about misuse of subsidy funds
- Concern about receiving credit on time
- Concern about the longevity of the credit and the consequences of losing it

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## Employer Interest in Employer Tax Credit Varied

- Offering employers very interested
- Those non-offering employers that were interested in offering would consider tax credit if it makes coverage affordable
- Those non-offering employers that were not interested in offering would consider tax credit if “too good a deal to pass up”
  - believed that credit might cause employers to offer but would not address underlying problems

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## No Employer Consensus Regarding Tax Credit Availability

- All small firms or only those not offering?
  - offering firms wanted tax credit
  - non-offering firms were divided
- Available to all employees or only low-income employees??
  - desire for simplicity and equity vs. giving the benefit to those most in need
- Available to all firms regardless of size, in particular if for low-income workers??
  - IHPS** – worker fairness vs. helping small employers

## Employer Concerns about Employer Tax Credit

- Amount and longevity of tax credit
- Structure of tax credit given the large differences in premiums among employers
- Ability of tax credit to keep pace with premium increases
- Wage ceiling if targeted at low-wage workers
- Among smaller firms, paperwork associated with tax credit and offering coverage

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## Most Employers Interested in Purchasing Pools

- Interest predicated on the pool:
  - providing lower premiums
  - spreading the costs of high-risk employees (not possible in underwritten market except potentially involving subsidized populations)
- Most liked choice but preferred the availability of good, well-priced coverage option(s)
- Some concerns about admin./mgmt.
  - often negated in light of pool's ability to handle subsidy, particularly from multiple sources

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## Employees Interested in Purchasing Pools

- Perception that pools have potential for lower premiums
- Pools would, through plan choice, provide greater choice of and continuity with providers
- Pools would provide an expert entity to intervene on their behalf

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## Policy Considerations

- Individual tax credit as proposed may have limited benefit
  - employers do not think low-income employees will use it
  - low-income employees not interested in it

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## Policy Considerations (Cont.)

- Employer tax credit may have some benefit
  - advantages:
    - could help stabilize employers that currently offer
    - would help some non-offering employers offer
    - would reinforce work and Wisconsin's strong employer-based coverage system
  - disadvantages:
    - could be costly depending on size and eligibility
    - would not cause all non-offering employers to offer
    - could be hard to structure effectively in an open, underwritten market

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## Policy Considerations (Cont.)

- Purchasing pool that provides “reasonable” coverage at a “good” price may have some benefit since strongly favored by Ers & Ees
  - but a pool will not “succeed” unless it can avoid risk selection problems
  - one approach would be for pool to be sole tax credit venue; most Ers supported this
- Some non-offering employers thought a pool could relieve them of the unwanted burdens of sponsoring coverage

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